

# Peloton Interactive, Inc. (PTON)

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# Capitalization

As of 4/16/21	
Price	\$116.21
Diluted Shares Outstanding (m)	348
Market Cap (\$m)	\$40,428
(-) Cash (\$m)	\$2,111
(+) Debt (\$m)	\$0
Enterprise Value (\$m)	\$38,317

2.5x – 3x in 4 years results in ~30% IRR, with a believable “10x case”

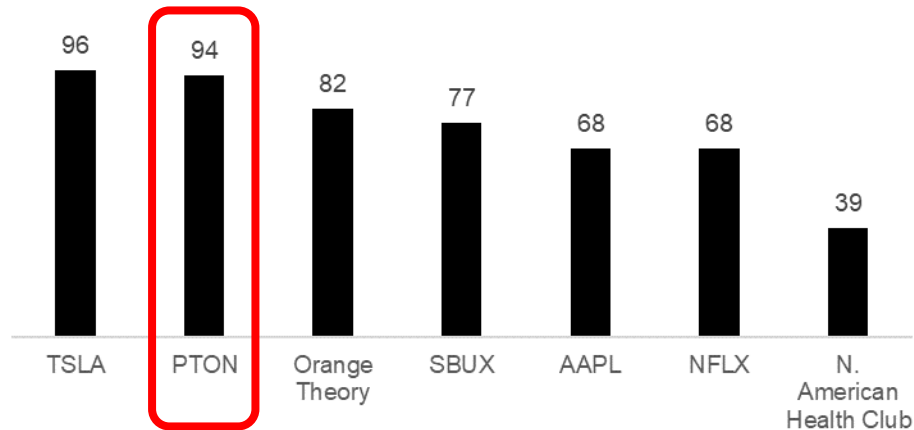
	CY 2021	CY 2025	The 10x Case
<b>Hardware</b>			
Units Sold (m)	1.4	→ 4.0	10.0
EV / Rev	6x	4x	3x
<i>Implied xLT EBITDA @ 20%</i>	30x	20x	15x
EV (\$b)	\$21	\$32	\$45
<b>Subscription</b> <i>(Implied Valuation)</i>			
CF Subscribers (m)	3.0	→ 15.0	100.0
EV / Rev	14x	12x	9x
<i>Implied xLT EBITDA @ 60%</i>	24x	20x	15x
EV (\$b)	\$19	\$80	\$430
<b>Consolidated</b>			
EV (\$b)	\$38	→ \$113	\$475
PT	\$116	\$301	
% Return		159%	
% IRR		28%	

# Octahedron Core Insight

- (1) Fitness undergoing a once-in-a-generation structural shift from offline to online, increasing the TAM from just those who have a gym membership to anyone who has an interest in a healthier lifestyle.
- (2) Peloton is on the path to building the largest, aspirational, mass-market consumer fitness brand in the world.
- (3) Peloton's scale of fitness content, reduced friction for usage, and consumer love, allows it the potential to building an internet-scale business.

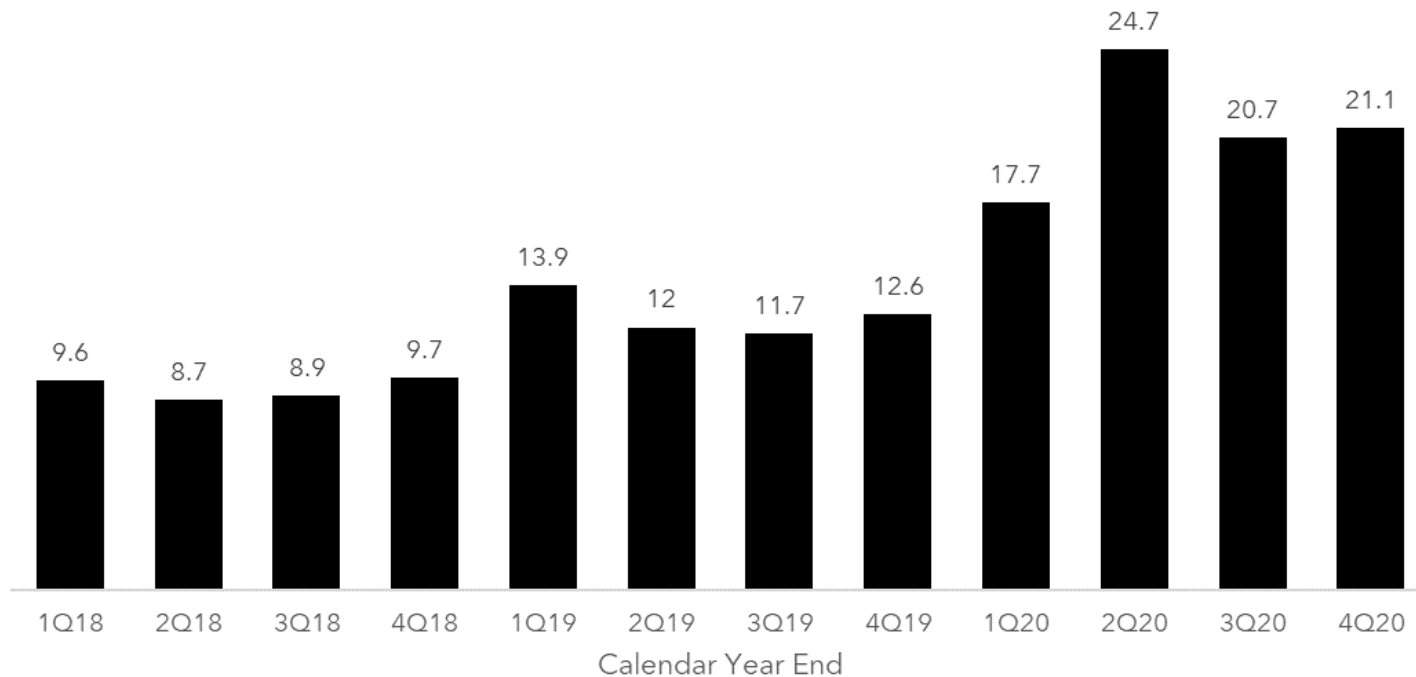
Best consumer fitness experience. Period.

94 NPS



# Customer engagement continues to increase.

Average Monthly Workouts Per Connected Fitness Subscriber



# Unmatched consumer value...



## The Competition

Monthly Payment      \$90 (\$40 subscription / \$50 hw)

Workouts/Sub/Month      20

**Cost per Workout      \$4.50**

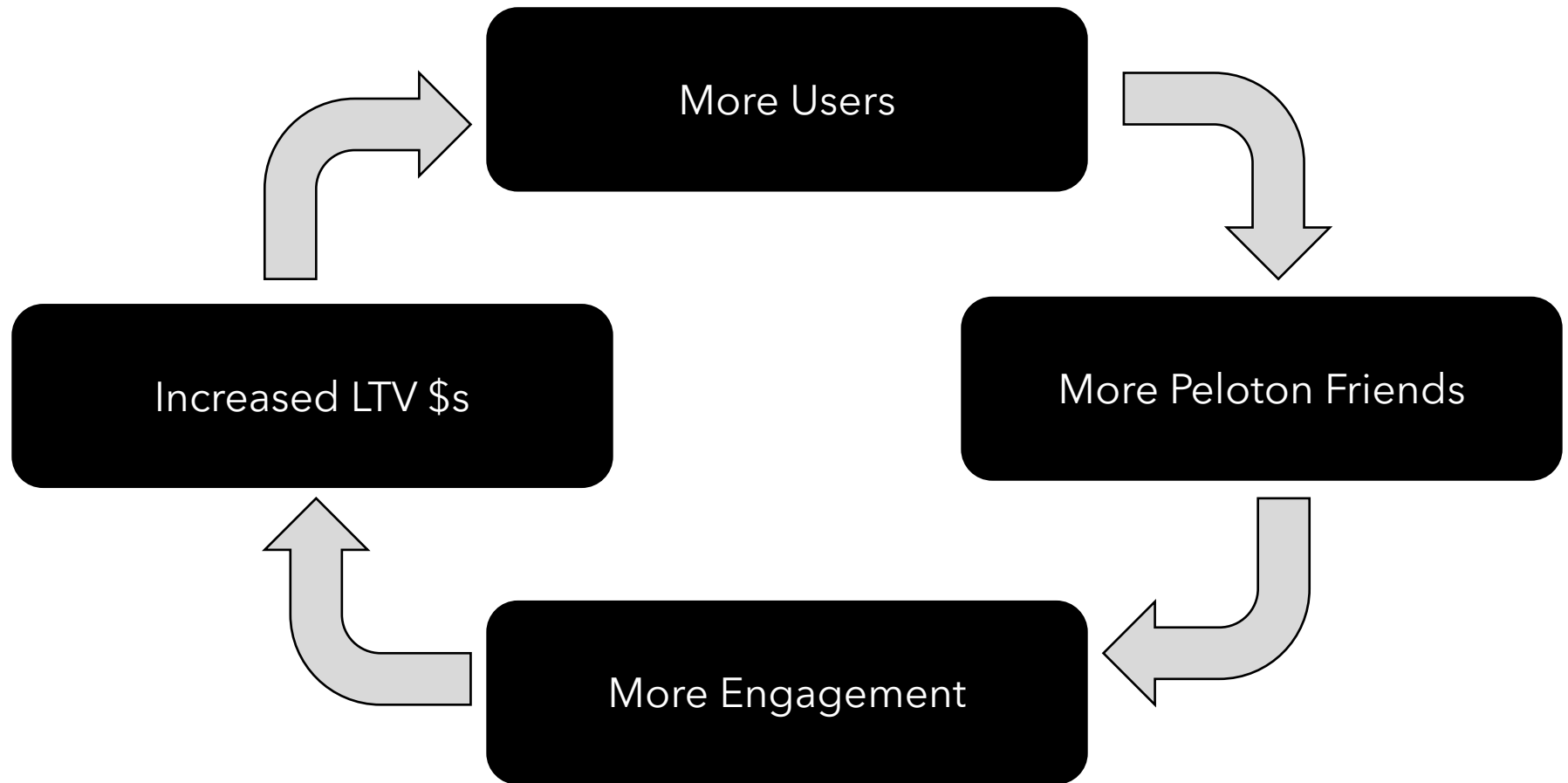
Cost / Avg Studio Class      \$35

Avg US Gym Membership/Month      \$45

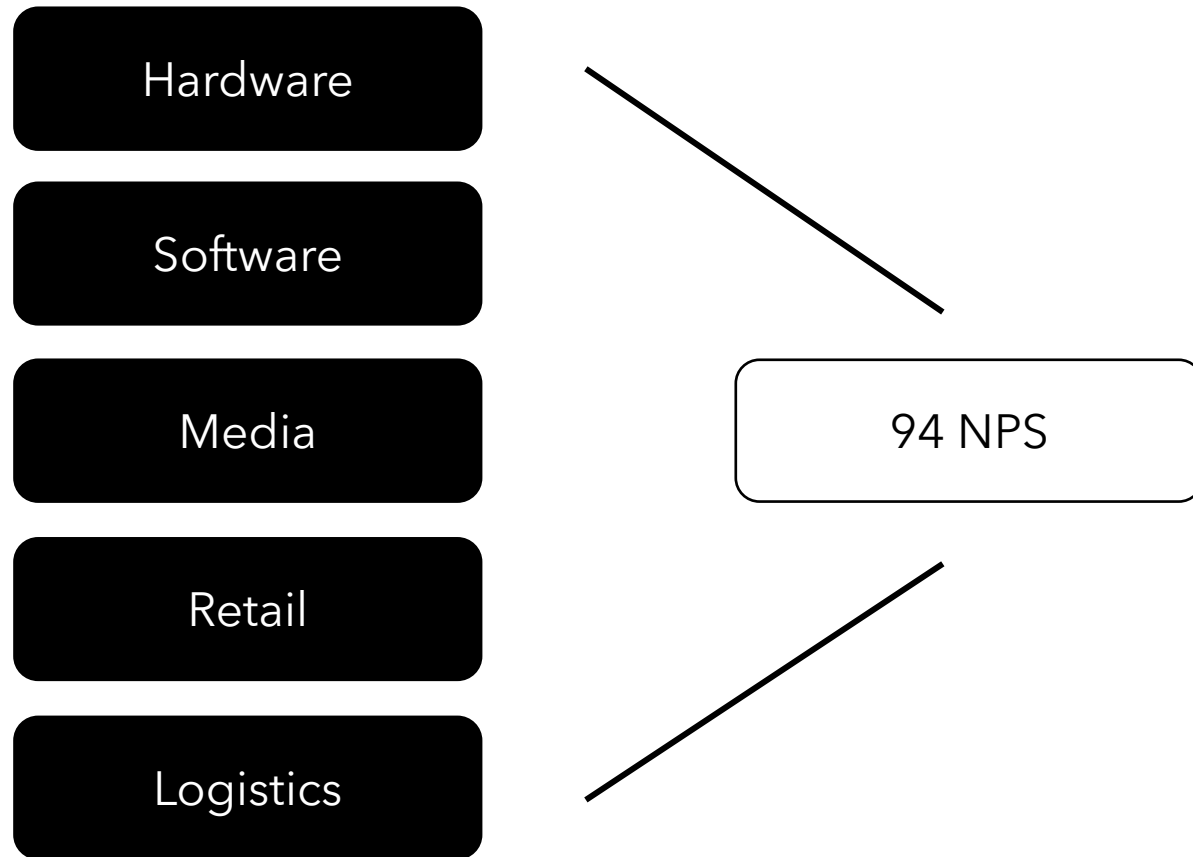
7x Cheaper than a Studio Class



...drives the Peloton community.



Vertical integration drives exceptional consumer experience.



Peloton prices it's hardware at a premium.



45% GMs

94 NPS

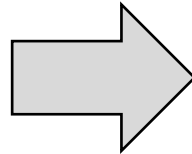


32% Product GMs

68 NPS

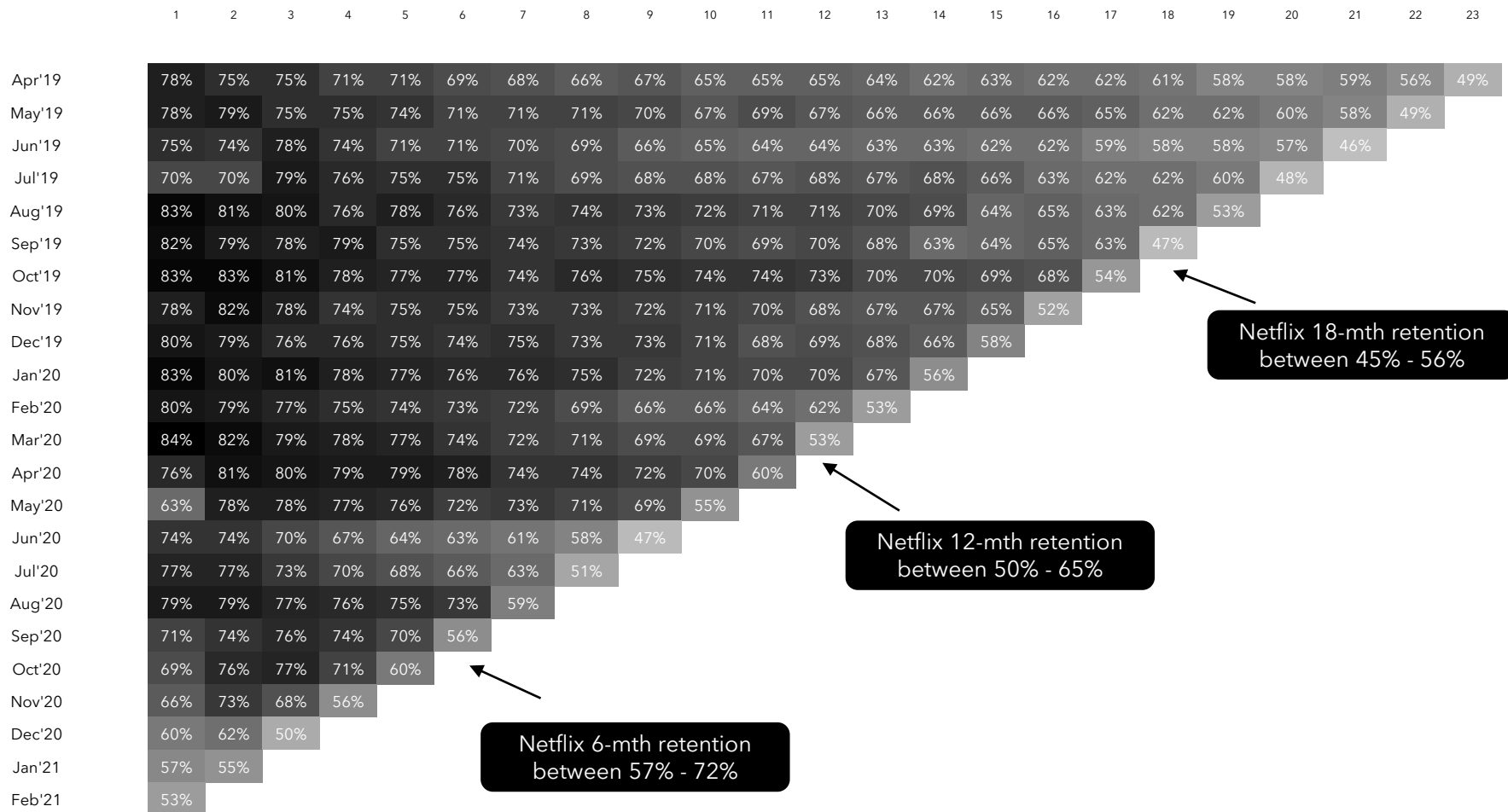
# Gross profits on hardware fully funds subscription CAC...

Hardware Gross  
Profit / Unit  
**\$1,100**



Subscription  
CAC / Net Add  
**\$800**

# ...allowing a high-margin, high-retention subscription business to be built - for free.



Note: Octahedron Proprietary Data

# Lower price points bring in new consumers...

## New Products, Lower Prices

Old Bike



\$2,500

-15%

New Bike



\$1,900

Old Tread



\$4,300

-42%

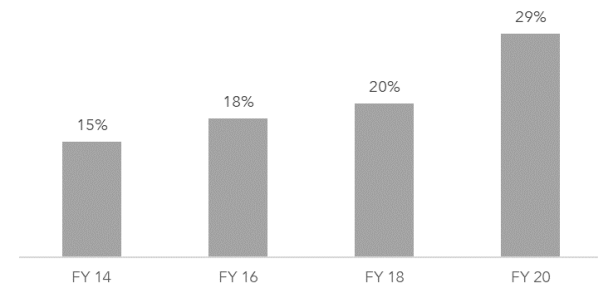
New Tread



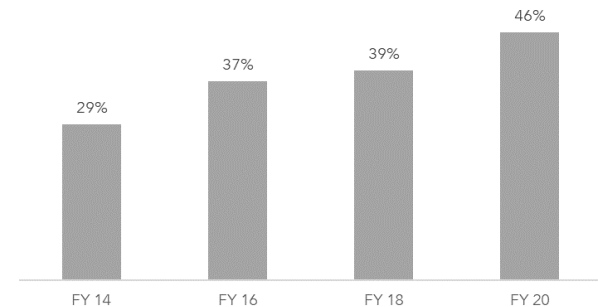
\$2,500

## More members who are younger and less affluent

25-34 Year Olds



HH < \$100k



...and new modalities bring in new customers and keep existing customers engaged.

	# of Classes
Class Type	
Cycling	7,753
Yoga	2,409
Strength	2,075
Running	1,891
Meditation	1,227
Bootcamp	770
Stretching	583
Walking / Outdoor	609
Cardio / HIIT	180
Total	17,497

Future expected hardware

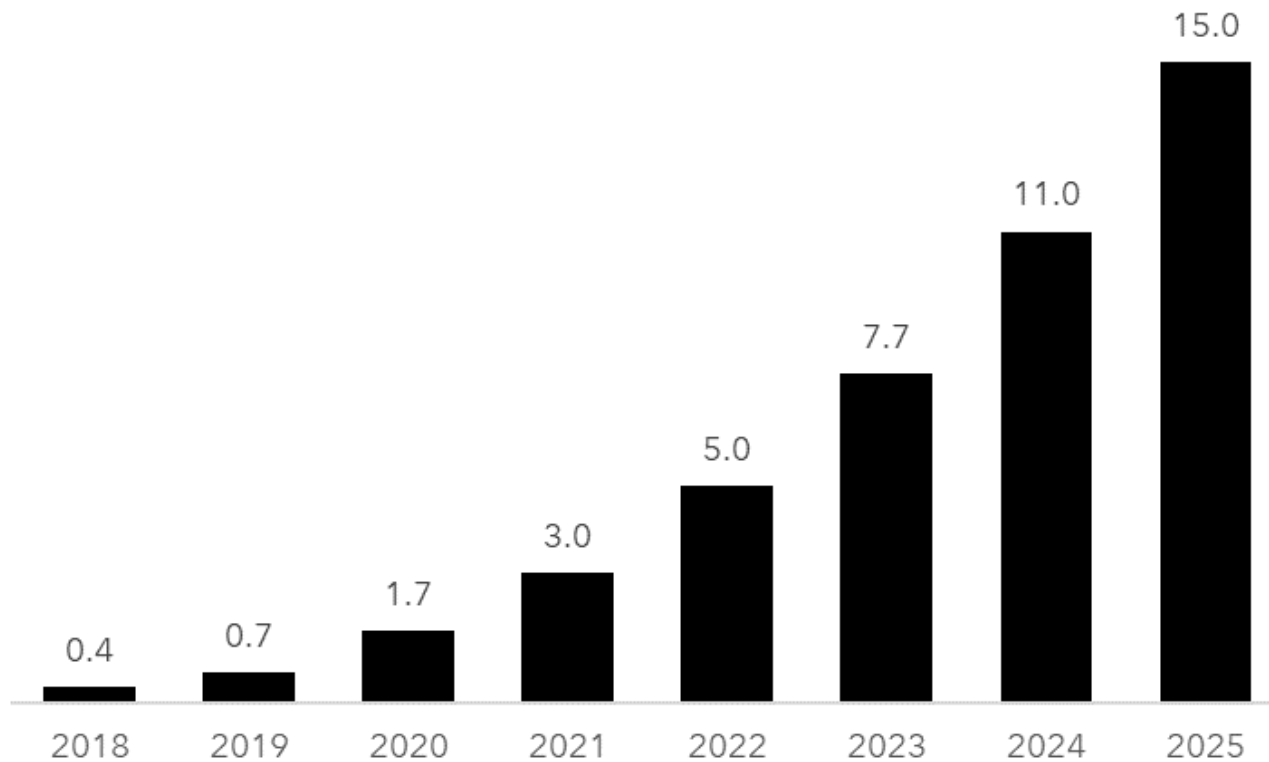
Strength

Rowing

Boxing

... More

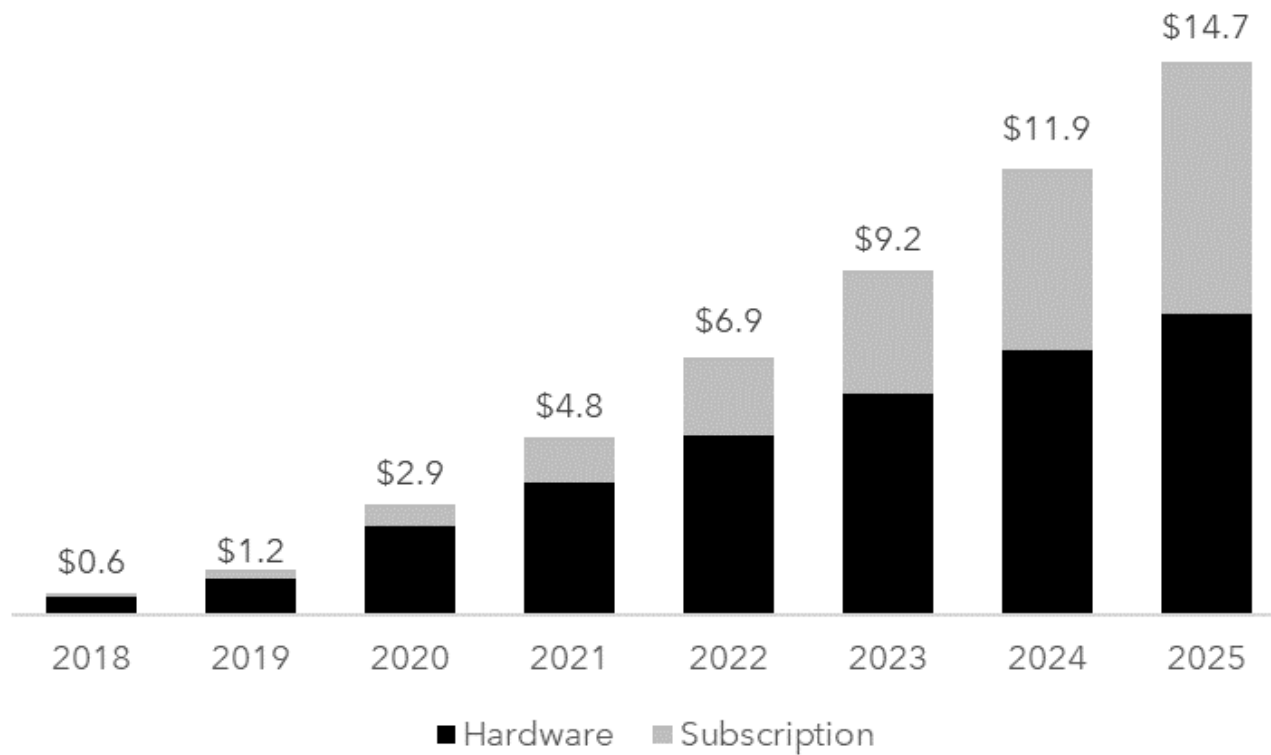
~15m connected fitness subscribers by CY 2025 (with upside risk)



Note: Octahedron Estimates



~\$15b of revenue (with upside risk)



Note: Octahedron Estimates

~50% long term EBITDA margins.

Hardware  
LT EBITDA Margin

20%

Subscription  
LT EBITDA Margin

60%

LT EBITDA Margin Build									
CYE	2018	2019	2020	2021	2022	2023	2024	2025	LT
% Rev									
Hardware	79%	78%	80%	75%	70%	64%	59%	54%	25%
Subscription	19%	21%	19%	25%	30%	36%	41%	46%	75%
<b>% LT Margin</b>	<b>24%</b>	<b>25%</b>	<b>25%</b>	<b>27%</b>	<b>30%</b>	<b>32%</b>	<b>34%</b>	<b>36%</b>	<b>49%</b>
Hardware Units	0.2	0.3	1.0	1.4	2.0	2.6	3.3	4.0	10.0
CF Subs	0.4	0.7	1.7	3.0	5.0	7.7	11.0	15.0	100.0

Note: Long Term assumes Hardware ASPs are lowered to \$1,500 from \$2,500 today as broader market mix shifts with lower ASP units. 10 year replacement cycles on 100M subs would imply 10M units sold per year leading to \$15b of Hardware revenue and \$47b of Subscription revenue with 100m subscriptions at \$39/month

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# Near term catalysts

- Relieve shipping constraints - fulfill more demand, consensus beats in 2021
- Lower priced tread - releases 5/27/21 - unlock 3x category
- New product announcements - Rowing, Boxing, Strength?
- New geographies - Mexico, Germany content ramp, etc.

# Risks

## It's a Fad

Previous fads were single product (TaeBo, P90X) – Peloton spans entire fitness category

## It's only Bikes

Treads are 3x the size of stationary bike market – strength (Tonal, Tempo), Rowing (Hydrow, Ergatta) and Boxing (FightCamp) proving demand for other connected fitness offerings

## End state isn't vertical integration

Some will “hack” together a solution – but most will appreciate the integration and be willing to pay a premium

## End of WFH = more churn

Most finance with Affirm, unlikely to churn through payback period (39 months). WFH has created workout-from-home habits that are unlikely to change

# Questions?

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